



REPORT FROM

OFFICE OF PUBLIC ACCOUNTABILITY

Date: September 15, 2016

To: The Board of Water & Power Commissioners
David Wright, General Manager, Department of Water & Power

From: Frederick H. Pickel, Ph.D., Executive Director/Ratepayer Advocate
Camden Collins, Deputy Director/Ratepayer Advocate  

Reference: September 20, 2016 Rooftop Utility-Built Community Solar Pilot Program

OPINION

The DWP has proposed a very tightly focused geographical target for a new solar program it calls a community solar program, using customer's roofs to install utility-built and owned solar.

Within the parameters OPA was shown in a draft Board presentation (total lifecycle costs of approximately \$13M, installation costs of approximately \$6M, and installation volume of 1 MW), OPA is **neutral** with respect to the reported design of this rooftop solar pilot. This solar is approximately 2-4 times more expensive than DWP's purchased wholesale solar alternatives.

The purpose of utility pilot programs is to evaluate with real experience, not estimates, the benefits, costs and risks related to delivering a new service at the lowest reasonable price. OPA supports pilots like this carefully planned program. DWP hopes to reach neighborhoods that have had lower participation in its solar rebate program with this program. OPA has communicated the following important risks and related costs. DWP will need to:

1. Correctly allocate direct and indirect costs to the program so that program costs are loaded with the same firm-wide cost structure as all other programs and projects.
2. Correctly track new and long-term residential roof liability and repairs that will establish whether self-insuring repairs or third-party insurance will yield the lowest reasonable cost.
3. Prepare a comparable, time-matched cost of using solar vendors to install and/or bear long-term roof liability, including at least one vendor that has demonstrated

commitment to training local residents. This will allow the program's future scope to evaluate all alternatives, when the pilot phase completes.

4. Correctly identify and segregate the total cost of training involved, by identifying parameters by which its efficiency and effectiveness will be judged if the pilot is continued.
5. Manage advertising and deployment to the intended geographic locations, without violating non-discriminatory requirements that apply to all public utility programs. This means DWP will need to perform in a non-discriminatory manner, especially for requests arising outside targeted locations. If the Board is concerned about the balance between the program's geographic objective and non-discriminatory use, it might consider adding other eligibility requirements (e.g., low income) at some point in time after experience is gained.¹

Because this program is a pilot, and only real experience will further establish the true costs and risks, OPA does not oppose this experiment. However, given the historical unit cost gap between utility-built solar and contracted residential solar, DWP needs to ensure adequate tracking and management information are gathered. From DWP's customer survey information, demand may be weak. It is possible this pilot may hit roadblocks unknown or unintended. Focused utility pilot programs, like this one, often do not have reasonable unit costs. Therefore, the Board should expect more information when the pilot phase ends, even though the program is small, to inform its future choices and address cost management challenges.

The Board should also consider and discuss authorizing the pilot on a basis that has a funding cap with its own job number, not just a megawatt limit, and uses fully allocated costs to determine when that cap is met. DWP's standard practice long ago was to use functional items and job numbers in Board reports, to ensure accountability and to preserve institutional memory. OPA believes this is a better practice.

¹ As an ancillary but related matter affecting low income customers, OPA would note that a low-income inflation adjustment, lawfully implemented under Proposition 26, could adjust a \$60 per bill credit to \$120 per bill in the same 20 year time frame as this pilot. OPA again strongly recommends that this common practice be pursued by the DWP Board, in conjunction with the Mayor and City Council.